

William D. Ford  
Federal Direct Loan Program



# student loans driving you crazy?

a borrower's guide  
to direct consolidation loans

A Better Way To Borrow

# BEFORE YOU DECIDE

*Here are some factors you should consider when deciding if consolidation is right for you.*

**The interest rates for each loan—** If a Direct Consolidation Loan offers you a lower rate than your current loans, you may want to consolidate. The interest rate is fixed and based on a weighted average, but it cannot go higher than 8.25%.

**What you can afford to pay each month—** If you are having trouble meeting your monthly payments, have exhausted your deferment and forbearance options, and want to avoid default, consolidation may help you ease the burden.

**How much you're willing to pay over the long term—** Like a home mortgage or a car loan, extending the years of repayment increases the total amount you have to repay.

**How many payments you have left on your loans—** If you are close to paying off your student loans, it may not be worth the effort to consolidate or further extend your payments.

**What your current lenders offer—** Check with lenders currently holding your loans to see if they can offer terms and repayment plans that meet your needs better than a Direct Consolidation Loan can.

Tired of dealing with too many lenders, too many payments?  
Interested in saving time and money?  
Do you gripe about not knowing who holds your loans,  
how much you owe or where to call for help?



## **A Direct Loan Consolidation May Be The Answer For You!**

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A Direct Consolidation Loan allows you to combine one or more of your federal education loans into a new loan that offers you several advantages.

### **No Minimum or Maximum Loan Amounts OR Fees**

Direct Consolidation Loans do not exclude anyone based on the size of their loan debt! In addition, consolidation is **FREE**.

### **One Lender and One Monthly Payment**

With only one lender to deal with and one monthly bill, you will find it easier than ever to manage your debt. The Department of Education is the lender and this will never change.

### **Flexible Repayment Options**

Direct Loan consolidation provides four convenient and hassle-free ways to repay your loans including an Income Contingent Repayment Plan. These plans are designed to be flexible to meet the different and changing needs of borrowers. With a Direct Consolidation Loan you can switch your repayment plan at anytime.

### **Lower Interest Rate For In-School Consolidation**

If you consolidate while in school you may receive a lower interest rate than you currently have. This benefit, offered only by Direct Consolidation Loans, **saves you money!**



## Who Is Eligible?

### Borrowers Out Of School In Repayment

who have at least one FFEL\* or Direct Loan

\*Borrowers with only FFEL loans must first apply and be unable to obtain a Federal Consolidated Loan from their lender OR be unable to obtain one with acceptable income-sensitive repayment terms.

### Borrowers In-School

who are attending a Direct Loan school half time and include at least one Direct Loan or Family Federal Education Loan (FFEL) in an in-school period. (A loan is considered In-school if it has never entered repayment.)

**or**

who are enrolled at least half-time in a non-Direct Loan school **AND** include a Direct Loan in an In-School period.

### In-School Consolidation Savings

(Interest Savings Comparison Based on Total Loans of \$20,000)

#### Loan Term

#### SAVINGS

10 years

\$779

12 years

\$968

15 years

\$1,271

25 years

\$2,422

## Borrowers In Grace

who do not qualify for an In-School Consolidation (including those with only FFEL\* and other Federal Education Loans) who want the benefit of lower interest rates may consolidate during their grace period. Borrowers are encouraged to apply in the third month of their grace period.

\* Borrowers with only FFEL loans must be unable to obtain a Federal Consolidated Loan from their lender OR be unable to obtain one with acceptable income-sensitive repayment terms or interest rate.

## Borrowers In Default

who want to limit further collection costs, or reinstate their Title IV eligibility may be able to consolidate their defaulted loan.



## Weighted Average Fixed Interest Rate -

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The weighted average formula is used for applications received after February 1, 1999.

Interest Rate = weighted average of the interest rates on the loans being consolidated, rounded to the nearest higher one-eighth of one percent. The rate will not exceed 8.25%. Use the chart below to calculate your weighted average interest rate. Use the Direct Loan consolidation calculator at **[www.ed.gov/DirectLoan](http://www.ed.gov/DirectLoan)** to see what your loan payments might be under each of the four repayment plans.

## Four Steps to Calculate the Weighted Average Interest Rate

### Step 1:

Multiply each loan by its interest rate to obtain the "per loan weight factor".

### Step 2:

Add the per loan weight factors together.

### Step 3:

Add the loan amounts together.

### Step 4:

Divide the "total per loan weight factor" by the total loan amount and then multiply by 100. This will give you the actual interest rate.

**\*(Round to the nearest higher 1/8th percent)**

$$\frac{\text{Total per loan weight factor}}{\text{Total loan amount}} \times 100 = \text{Weighted Average Rate} *$$



## Got Questions? We've Got Answers!

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Please contact us if you have any questions or need additional information by:

**phone** at 1-800-557-7392 (or 1-800-557-7395 TDD)

**e-mail** at [loan\\_consolidation@mail.eds.com](mailto:loan_consolidation@mail.eds.com)

**browse** the website at [www.ed.gov/DirectLoan/](http://www.ed.gov/DirectLoan/). Use this site to calculate repayment amounts and apply electronically.

# ELIGIBLE LOANS

*These Loans are Eligible for Consolidation*

- Auxiliary Loans to Assist Students (ALAS)
- Federal Consolidation Loans
- Federal Direct PLUS Consolidation Loans
- Federal Direct PLUS Loans (PLUS)
- Federal Direct Stafford Loans
- Federal Direct Subsidized Consolidation Loans
- Federal Direct Unsubsidized Consolidation Loans
- Federal Direct Unsubsidized Stafford Loans
- Federal Federal Insured Student Loans (FISL)
- Federal Perkins Loans
- Federal PLUS Loans
- Federal Stafford Loans
- Federal Supplement Loans For Students (SLS)
- Federal Unsubsidized Stafford Loans
- Guaranteed Student Loans (GSL)
- Health Education Assistance Loans (HEAL)
- Health Professions Student Loans (HPSL)
- Loans for Disadvantaged Students (LDS)
- National Defense Student Loans (NDSL)
- Nursing Student Loans (NSL)
- Parent Loans for Undergraduate Students (PLUS)
  - *eligible for In-School consolidation*

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## ***Not Eligible for Income Contingent Plan***

Parent Loans for Undergraduate Students (PLUS)

Federal Direct PLUS Loans (PLUS)

Federal Direct PLUS Consolidation Loans

Federal PLUS Loans

We Help  
Put America  
Through  
School.